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Iowa Farm Values

Up Slightly in 1956

Pressure for enlarging farm size more than offsets effects of drouth on values of Iowa farm real estate.

by William G. Murray and J. Dean Jansma

AVERAGE value of Iowa's farm land and buildings on Nov. 1, 1956, was \$220 per acre—up \$5 from the same date in 1955. Values were down in some of the western counties. But increases in counties not hit by drouth more than offset declines elsewhere. The net result is that values of each quality of land for the state as a whole were higher than a year earlier.

These conclusions and the remainder of this report are based on reports from 475 Iowa real estate brokers who replied to our annual questionnaire on farm land values.

In Brief . . .

The most important reasons given for rising values were:

+ *Farm enlargement.* Farmers buying land to add to their present farms.

+ *Scarcity of farms to rent.* Tenants, in some instances, had to buy farms or go out of farming because they couldn't find a farm to rent. Scarcity of farms to rent is also related to the first factor, farm enlargement.

+ *Lack of farms for sale.* Brokers frequently mentioned that it was difficult to find farms for sale. This was especially true of high-quality farms whose owners had no desire to sell. More than half of the brokers reporting said they had fewer sales in 1956 than in 1955.

The most important reasons for declining farm values were:

— *Drouth.* Where yields were low because of drouth, farm values were generally lower.

— *Tight credit.* Difficulty in obtaining credit and higher interest rates were frequently mentioned in all areas as a value-depressing factor.

— *Lower income.* This was due both to lower yields and lower prices for farm products as well as to higher costs (including property taxes) in recent years.

The over-all result of these upward and downward forces on farm values was lower values in counties where the drouth was severe and higher values in the rest of the state. The area hardest hit by the drouth wasn't as large as the area which escaped. Thus, the average value of farm land and buildings for the state as a whole increased \$5 per acre over the year before.

The western livestock area was hardest hit by drouth and showed no change in average land value from the previous year. In the rest of the state, low-quality as well as high-quality farms sold at increased prices. The state average for high-quality land rose from \$318 to \$325 per acre; for low-

quality land, the rise was from \$119 to \$123 per acre.

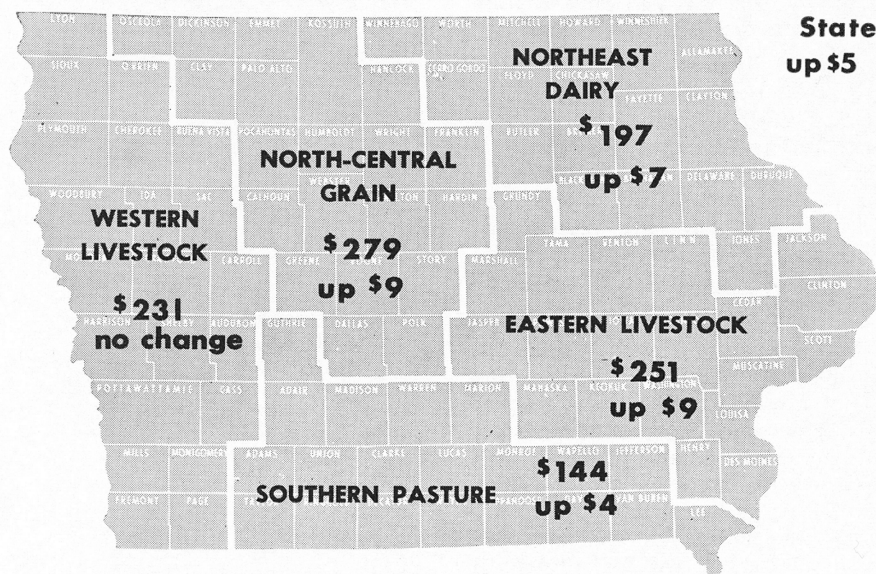
Farm Enlargement: An insistent demand by farmers for more land to expand the size of their present farms is the main reason for rising values in 1956. Where drouth was not a factor, the pressure for larger farms has been a more potent force than lowered farm incomes.

Evidence on the effects of farm enlargement comes from three sources.

• Brokers in the survey reported the purchase of land to add to existing farms as one of the most important reasons for rising farm land values.

• A survey of 1956 farm real estate sales by the Iowa Farm Bureau Federation indicated farm enlargement to be the principal purpose behind land purchases in all areas of the state.

• A USDA study of a sample of farm sales pointed to farm enlargement as an important factor—with one-third



Here are the dollar changes within types of farming areas for 1956. Map shows the dollar price change of farm land and buildings per acre for the year ending Nov. 1, 1956. State average on Nov. 1 was \$220.

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of the sales in the sample involving farm enlargement. This was twice the percentage of previous years.

Wide Variation: The situations varied widely within the individual areas. In the northeast dairy area, for example, brokers in 2 of the 18 counties reported lower values though the average increase for the entire area was \$7 per acre.

Area Situations . . .

Values for different grades of land in the five areas of the state are listed in the tables. Here are the summaries of the major factors affecting the markets in each of the areas:

Northeast dairy area: A substantial increase was reported for all grades of land in this area. Many brokers reported the lack of farms for sale and bumper crops as reasons for the increase and tighter credit restrictions as a factor preventing still further increases. Number of farms sold decreased; three times as many brokers reported fewer sales as reported more sales. Values were up for all grades of land—averaging a 4-percent increase, compared with 2 percent for the state as a whole.

North-central grain area: Land values in general increased, with more brokers reporting increases than decreases. But there was wide variation within the area; a few counties had lower values because of drouth conditions. Demand for good land was greatest, and its value increased more than that for poorer land. Tighter credit, the cost-price squeeze and drouth were offset by farm enlargement and scarcity of farms for sale. Average value increase for the area was 3½ percent.

Western livestock area: Values in this area remained unchanged. The market was relatively inactive, with most brokers reporting fewer farms sold than in 1955. Poor crops in the previous 3 years coupled with lowered farm prices and drouth have caused land prices to level off. Scarcity of farms for sale and belief in better future conditions prevented a value decline.

Southern pasture area: Values in this area went up nearly 3 percent, and the average increase for the entire area was \$4 per acre. Shortage of farms for sale and owners wanting to enlarge their present farms were the major factors favoring increased values. Downward forces were drouth, hail and low farm product prices. A large majority of the brokers reported fewer sales than in the previous year.

Eastern livestock area: The land

value rise here was widespread; only a few brokers reported value decreases. Competition between renters wanting to buy land and owners wanting to enlarge their farms resulted in an increase in

the prices of the few farms listed for sale. Lack of finances and lowered farm prices tended to discourage some prospective buyers. Average values went up 3½ percent.

TABLE 1. Value per Acre of Farm Land and Buildings, by Type of Farming Area, November 1, 1941-56, Real Estate Broker Survey

Year as of Nov. 1	State average	Types of Farming Areas				
		Central grain	East livestock	West livestock	N.E. dairy	South pasture
1941	\$ 88	\$106	\$101	\$ 90	\$ 87	\$ 58
1942	100	118	115	103	95	67
1943	119	141	138	119	110	83
1944	130	158	151	136	115	89
1945	140	168	167	148	118	98
1946	149	180	177	161	127	103
1947	167	196	200	187	138	117
1948	176	207	204	198	146	124
1949	177	213	203	197	151	122
1950	197	240	226	217	168	135
1951	212	258	244	238	174	148
1952	209	258	240	224	182	143
1953	198	246	226	212	171	134
1954	205	258	236	222	180	126
1955	215	270	242	231	190	140
1956	220	279	251	231	197	144

TABLE 2. Iowa Land Values, 1941, 1945, 1950-56

North-Central Grain Area				Northeast Dairy Area			
Year	Grade of Land			Year	Grade of Land		
	High	Medium	Low		High	Medium	Low
1941	\$135	\$108	\$ 75	1941	\$115	\$ 88	\$ 57
1945	218	170	116	1945	163	118	73
1950	324	241	155	1950	242	165	97
1951	351	256	165	1951	257	168	97
1952	349	257	168	1952	265	175	107
1953	332	246	159	1953	252	165	97
1954	351	259	164	1954	268	172	100
1955	365	273	173	1955	282	181	108
1956	376	281	179	1956	289	189	112

Eastern Livestock Area				Southern Pasture Area			
Year	Grade of Land			Year	Grade of Land		
	High	Medium	Low		High	Medium	Low
1941	\$141	\$104	\$ 58	1941	\$ 88	\$ 56	\$ 30
1945	248	161	93	1945	148	96	51
1950	335	220	123	1950	212	128	66
1951	371	230	131	1951	237	137	69
1952	371	226	124	1952	229	133	67
1953	354	213	110	1953	220	123	60
1954	371	225	112	1954	207	115	57
1955	380	229	116	1955	229	128	62
1956	393	239	121	1956	234	132	65

Western Livestock Area				STATE AVERAGE			
Year	Grade of Land			Year	Grade of Land		
	High	Medium	Low		High	Medium	Low
1941	\$120	\$ 94	\$ 57	1941	\$120	\$ 90	\$ 55
1945	203	149	93	1945	196	139	85
1950	306	214	130	1950	284	194	114
1951	338	229	148	1951	311	204	122
1952	322	216	134	1952	307	201	120
1953	307	204	125	1953	293	190	110
1954	321	215	131	1954	304	197	113
1955	333	224	135	1955	318	207	119
1956	333	223	136	1956	325	213	123